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Starters Manual

Supplier Development Centers

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ABBREVIATIONS AND ACRONYMS

ABAD	Azerbaijan Business Assistance and Development
BA	Business Advisors
BPI	Business Plus Initiative
COP	Chief of Party
GMP	Good Manufacturing Practice
PRA	Poverty Reduction Alleviation
QMCE	Quality Management Center of Excellence
SDC	Supplier Development Centers
SDP	Supplier Development Plan
SME	Small and Medium Enterprises
SOW	Scope of Work
USAID	United States Agency for International Development

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INTRODUCTION

This is a Starters' Manual for business advisors, subcontractors and directors of Supplier Developments Centers. It is used as training material during an induction workshop for setting up these Centers, but it is useful as well for basis of operations of centers, consultations, follow-ups and refreshment training by staff in charge of developing a Program based on the buyer-led approach.

The type of program has been developed with great success by USAID in many countries, ranging from Latin America and the Caribbean, Africa and Asia. Most projects adapted the approach to particular economic and business situations. In the case of Mongolia the program is both focused on finding suppliers for large firms, as well as finding buyers for Mongolian SME suppliers. The cases in this Manual are more of the last type - finding new buyers - but the approach is the same everywhere: reducing poverty by generating employment through increased sales of SMEs.

USAID's BPI Program is launching supplier development centers in Mongolia. This Manual contains material for supporting the team to develop more efficiently their skills to operate and run a Center. It is a collection of step-by-step advice for real transactional assistance, from first interview of client until completion of transaction and measuring of results (most inspired of the experience of USAID's Paraguay Vende Program). The setup of this Manual, including operational advice and case examples, are inspired from Jim Riordan's book¹. Case studies are based on real experiences taken from field visits of the BPI staff, but with slight changes due to didactical reasons.

¹ Jim Riordan, *We Do Know How, A Buyer-Led Approach to Creating Jobs for the Poor*, New Academia, 2011

SECTION I: LAUNCHING THE SUPPLIER DEVELOPMENT CENTERS

1.1 The Objectives

The Business Plus Initiative (BPI) of USAID in Mongolia is setting up a program including up to three Supplier Development Centers (SDC) in late 2012. It is hoped that private sector alliances or partnerships will be formulated with large companies in select geographic areas or corridors committed to Mongolia's economic development. For achieving the life of project targets of US\$ 2,000,000 of increased sales, each SDC will provide technical assistance for some 18-20 months from January 2013 to September 2014. The Centers will:

- Help large enterprises, mining companies and other important corporations operating in Mongolia procure more goods and services from Mongolian suppliers, improve quality and boost local content, and generate more jobs locally;
- Help potential Mongolian suppliers meet requirements of buyers – both mining and other foreign and domestic companies – in quantity, in quality, in price, and on time;
- Expand the sales of Mongolian suppliers and create jobs.

1.2 The Corridors

1.2.a The SDCs will operate in perhaps three geographic areas:

- The Central Economic Corridor covers the Tuv/Ulaanbaatar Aimagis, but in essence, it is the economic hub of the country, geographically and in terms of supplier demand. This Central Corridor SDC will also service promising economic opportunities in the other major spikes off the hub. In essence, those spikes consist of the Gobi-Sumber, Dornogobi, and Dundgobi Aimags.
- The Northern Economic Corridor, that is, the zone of influence of the main mines and key manufacturing operations and trade flows in northern Mongolia. In essence, this corridor consists of the Selenge/Darkhan and Bulgan/Orkhon Aimags.
- The Southern Economic Corridor, that is, the zone of influence of the main mines in southern Mongolia. In essence, this corridor consists of the Omnogobi Aimag.

Exhibit 1.1.a The Geographic Areas (Economic Corridors) of the Three Supplier Development Centers



- 1.2.b** USAID will select through open competition the operator(s) to run the select SDCs. Given huge corridor's demand on improving supplier's quality, the operator of Central Economic Corridor may also host and manage a Quality Management Center of Excellence (QMCE). The Northern Economic Corridor Center and the Southern Economic Corridor Centers will operate separately, but may request services of the QMCE. The service areas of the three Centers appear in the map above (see Exhibit 1.1.a).

1.3 The Services Offered

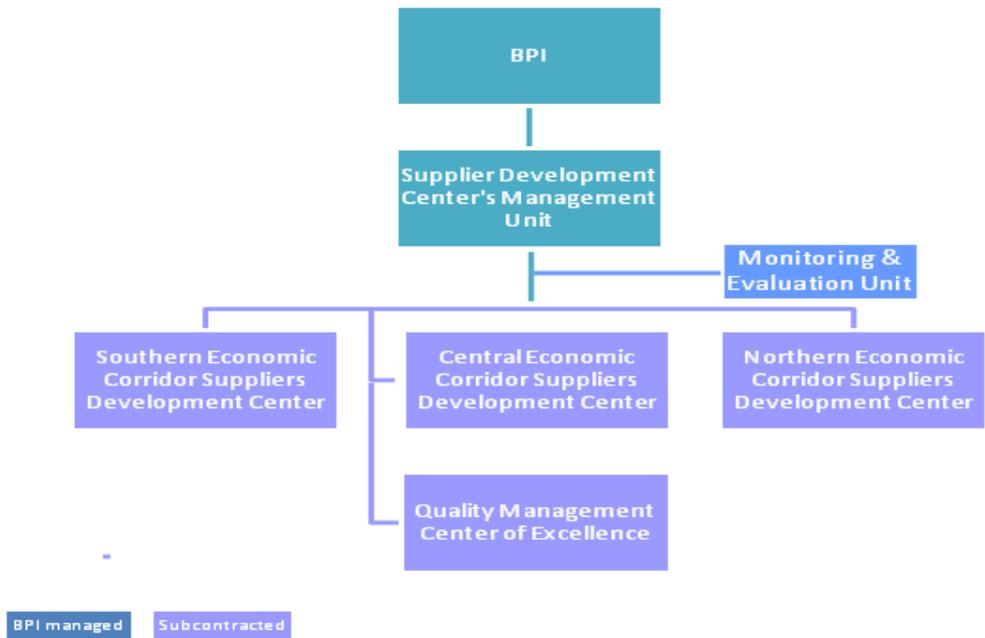
- 1.3.a** The SDCs will solve in cost effective manners the key business problems that hinder or limit specific sales transactions taking place between mining companies or other buyers and potential Mongolian suppliers. The magnitude of sales generated and jobs created will depend on the level of program resources and the financial resources from the SDC partners in the corridors.
- 1.3.b** Each SDC will likely have from two to five business advisors, plus administrative support personnel. The Northern Economic Corridor will have its principal office in Erdenet. The Central Economic Corridor will have its principal office in Ulaanbaatar. The Southern Economic Corridor will have its principal office in Dalanzadgad and a satellite office in Khanbogd.
- 1.3.c** Principal responsibilities of the business advisors will be:
- To develop relationships of trust with local businesses;
 - To identify buyers for goods and services local suppliers could produce;
 - To identify local suppliers for goods and services buyers demand;
 - To help clients solve whatever problems stand in the way of sales transactions between the two parties;
 - To find at least one partner from large enterprises, mining companies or other important firms in their corridor, and sign an agreement allowing leveraging of resources amongst partners to support primary SDC activities.
- 1.3.d** Business advisors (BA) will diagnose what problems prevent sales from happening, identify solutions to those problems, and accompany clients along the way to be sure those solutions work. Most Business Advisors will be generalists, not specialists. For problems that require specialized expertise, each Center will have access to a USAID/BPI Business Problem-Solving or Technical Assistance Fund to contract specialists.
- 1.3.e** Case by case, the Business Advisor will follow steps below to help Mongolian suppliers "make the sale":
- Search aggressively for and identify potential buyers;
 - Identify buyers' product or service requirements in detail – quantities, quality, pricing, delivery schedules, etc.;
 - Search aggressively for and identify Mongolian suppliers with the potential to meet buyers' specifications;
 - Conduct due diligence of those suppliers' ability to meet the terms of sale;
 - To the extent that suppliers cannot meet those terms, identify the key problems that prevent them from doing so;

- Devise a cost-effective strategy to solve those problems;
 - Translate the problem-solving strategy into a Supplier Plan (aka Business Plan), that is, an agreement spelling out the problem-solving actions potential suppliers and their respective SDC will take to make the sale happen;
 - Secure the commitment of buyers to purchase goods and services in question from suppliers, ideally in the form of purchase orders;
 - Put the Supplier Plan into effect, using resources from SDC and the Business Problem-Solving Fund, if required;
 - Monitor compliance with the terms of the Supplier Plan;
 - To the extent that unforeseen problems arise, make mid-course adjustments as needed until suppliers consummate the sale.
- 1.3.f** In principle, there are many economic activities the SDC could support – reconditioning of equipment, dairy and meat production, catering and provision of consumables, uniform manufacturing, vehicle management and maintenance, etc. There are also many problem-solving actions the program could take – transfer of technical know-how, resolution of cash-flow constraints, introduction of process engineering, management improvement, costing, etc. That said, the program will not pre-pick the goods and services it will support or limit the kinds of support it will give. Rather, it will go where the potential sales are – regardless of economic sector – and do whatever it takes to make those sales happen.

1.4 The Organization

- 1.4.a** The SDP will be managed from the BPI office in Ulaanbaatar: manage the contract(s) with the operator(s) of the SDC; train business advisors in the program’s transactional problem-solving methodology; institute procedures to make program operations cost-effective; develop the partnership(s) with a large company; promote communication and cooperation among Centers; set sales and jobs targets; establish performance incentives to meet those targets; and verify the validity and the attribution of results obtained. To prevent program management from acting as judge and jury of its achievements, the verification of results will lodge in a technically independent Monitoring & Evaluation Unit (see Exhibit 1.4.a) as led by USAID/BPI.

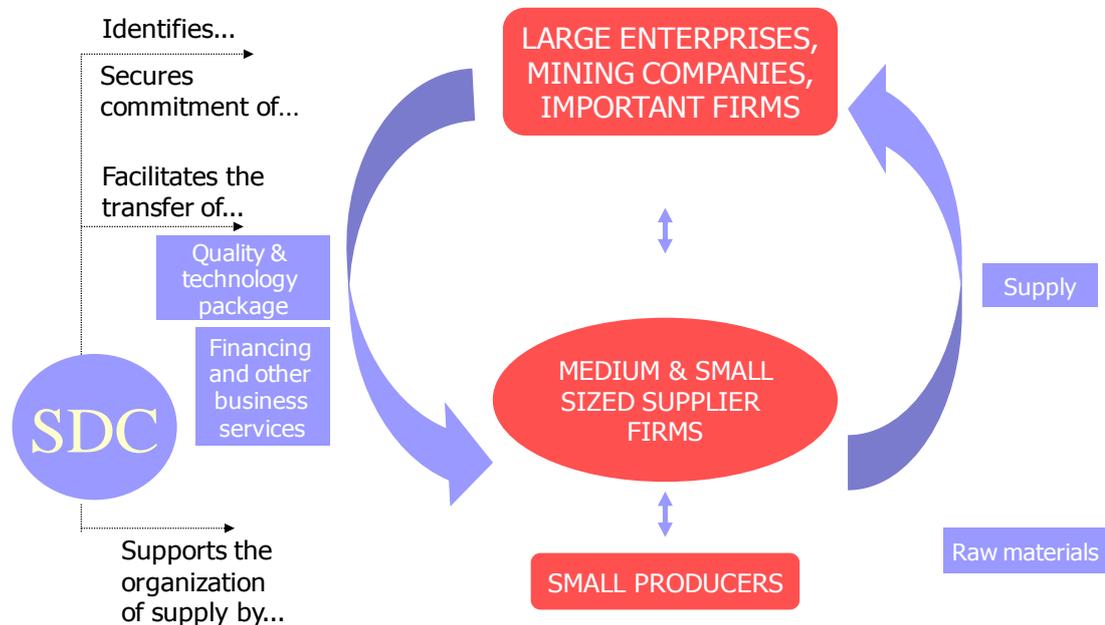
Exhibit 1.4.a Organization Chart of the Supplier Development Centers



SECTION II: TECHNICAL MANAGEMENT

2.1 The Approach

Exhibit 2.1 Market Chain Operational Framework



2.1.a The buyer-led approach is based on the following:

- The meaning of “demand-driven”
- The concept of the market chain
- Solving problems transaction by transaction
- Accountability for results

2.1.b Business advisors have to develop their understanding of what precisely is “demand driven”, in the sense that the definition here is “buyer driven”. If the demand is an abstract market, the Advisor probably would have to conduct a market study. But in this case, “demand driven” means having a buyer with name and surname and intent to purchase product/service.

2.1.c The market chain concept is to be used by business advisors as their main tool for analyzing a potential client and assessing the possibility to generate sales due to buyer-led type of technical assistance. Market chain is a concept of who-sells-to-whom. Other parent concepts, like productive chain, value chain, clusters, etc. are requiring more complex

Slaughterhouse Seeks Suppliers of Cattle

The company is one of the largest slaughterhouse operations in Mongolia, accounting for nearly 30% of annual production in country. It serves as one of the primary operators in the industry, and one of the few exporters of processed product outside of country.

Processing has significantly decreased, from 23,000 (2010) to 13,000 (2011) to 9,000 (2012) animals. The supplies of animals are decreasing significantly in whole Mongolia during the last years. More and more meat traders and brokers are not interested in long term contracts with slaughterhouses, and more inclined to take meat directly and literally to market.

Employment has dropped to 40. The company does not sale to the largest consumers in the region, neither to the mining companies there.

Questions

- What is their main problem?
- How could the buyer-led approach in these circumstances help the entrepreneur?
- What would be the most cost-effective strategy to generate more sales and suppliers of animals?

settings which have not been well developed in Mongolia. BPI works with a simple concept which is understandable by all those involved in the assistance delivered by the Supplier Development Centers.

2.1.d Advisors visit potential client firms and in doing so, they have to map players of the market chain. Basically, there are three players:

- A. Mid sized-supplier-client-firm, which may be the clients of the SDC and will receive assistance for increasing sales;
- B. Large-buyer-firms like stores, distributors, mining companies, international buyers, national resellers, intermediate goods & service businesses. They are the clients of the SDC but they are the buyer, and could serve as key partner.
- C. Small and micro firms-producers-cooperatives supply raw material and inputs to client firms (SME traders; farmers; cooperatives of agriculture & livestock, etc.).

2.1.e Assistance to small producers could be considered as a classical solution of the buyer-led approach, which has been developed in agricultural driven emergent countries (see Sunset Case Study). In Mongolia agriculture is important, but the motor of the economy is mining and the demand of urban populations (2/3 of the population lives in cities). Therefore, the efforts of the Business Plus Initiative Project (BPI) are focusing more on assistance for finding buyers and improving quality of products and productivity of plants (see 1.2); but this does not mean that assistance for getting more raw material are ruled out .

2.1.f The Business Advisor will have to assess exactly which type of assistance is needed by the client (see Exhibit 2.1.f and Section 2.2). The most sales rewarding solution is drafted into a Supplier action plan which is to be agreed upon with the client. The wrong way is to mix up all problems and solutions, because in that case there is no accountability and the Monitoring & Evaluation unit may not approve the Supplier plan, because it is not possible to assess if a sales increase is attributed one of those specific actions.

Sunset Cove Case Study

Sunset Cove is a high-end, luxury resort in Antigua and Barbuda with bookings of tourists lined up for the foreseeable future. Management has established a policy of procuring as many goods and services as possible from local sources, but the flip side of that policy is that those sources must produce to high international standards. As a practical matter, the resort buys many of its supplies from abroad, Europe, especially. The general manager is interested in buying more food and nursery products locally, but has not taken an aggressive posture in contracting with local firms.

The open-air lobby of Sunset Cove is stunning. Among its attractions is the lushness of its foliage, including, in particular, a bounty of orchids, all of which come from Europe. On flowers and foliage alone, Sunset Cove spends \$100,000 a year.

About a half mile from Sunset Cove is Clearview Farms, a small-scale fruit and vegetable operation producing entirely for the local market — and the standards thereof. It also has a tiny nursery, which, among other things, produces orchids.

Develop your answer if the buyer-led program in Antigua and Barbuda can help these businesses and what actions would it make most sense for it to support, especially if a buyer-led program can make a difference.

Questions

Who is the client firm? What does the market chain look like? What is the transaction? What is the problem-solving strategy?

USE ANNEX A - TEMPLATES FOR FINDING THE SOLUTIONS FOR ALL INSERTED CASE STUDIES

Exhibit 2.1.f Types of Market Chain Assistance



2.2 Buyer-led Assistance

2.2.a Exhibit 2.1.f shows there are at least three types of buyer-led technical assistance:

- I. Consign a new buyer and/or get more orders from a present one, in order to increase the sales value of the client firm if it is functioning below installed capacity levels;
- II. Get the client firm improving quality, technology, productivity, finance or other key area which will result in proven additional sales;
- III. Consign more small and micro firms selling larger volumes of raw materials to the client firm, in order to fulfill the orders from buyers.

2.2.b Examples of (I) sales/buyer type of assistances are:

- Consigning more sales orders from (new) buyers;
- Coaching a salesperson of the client firm;
- Organizing a business around which includes many client firms and one important buyer, resulting in increased sales;
- Implement logistics which reduce lead time and therefore increase sales;
- Implement a new sales strategy, like franchising.

2.2.c Examples of (II) consulting type of

Which of these statements is really “demand driven”

1. “A few private companies in Madagascar offer a range of business services but they appear expensive, and as such are rarely used by small and medium sized agribusinesses. In identifying commercial solutions . . . , the contractor will develop private-sector suppliers. . . . This can be done in building local capacity for commercial service provision to ensure sustainable impacts.” Draft donor scope of work for program in Madagascar, 2003.
2. “Many food processors are only working three (3) to six (6) months out of the year due to the lack of product. There is a need for cold storage to store more products to process longer.” Consultant report for program in Azerbaijan, 2005.
3. “mar-ket-ing Function: noun 1 a : the act or process of selling or purchasing in a market b : the process or technique of promoting, selling, and distributing a product or service 2 : an aggregate of functions involved in moving goods from producer to consumer.” Merriam-Webster Online Dictionary, 2006.
4. “Is my idea practical? All ideas seem award-winning at 3 a.m. But to press ahead profitably, you need to seriously assess the market, the competition, your budget, your resources and your qualifications. The biggie: Will anyone pay for what I’m selling?” “Five questions to ask before you . . . Start a business,” Money, May, 2004, p. 55.

assistance are, ONLY WHEN YOU HAVE A BUYER:

- Improving the quality of processes and/or products which open access to new sales orders;
- Implementing environmental measures which certify clients for accessing a new buyer;
- Implementing and certifying good manufacturing practice (GMP);
- Installing new software which increases sales per day/week/month;
- Implementing a training course and setting up a new sales force.
- Implementing any productivity enhancing actions in the back-office which can be translated into higher sales values.

2.2.d Examples of (III) raw material type of assistance are, ONLY WHEN YOU HAVE A BUYER:

- Convincing, negotiating and finalizing new small producers to sell to the client (cooperatives of dairy, livestock, cashmere);
- Finding new sources of raw materials and inputs that facilitate the client firm to increase production and sales;
- Improving access to scarce resources or material to the client firm;
- Improving the quality of processes and/or raw materials which opens access to larger procurements by the clients.

2.2.e The rule is that a Supplier plan starts with one problem and one solution, as set out in the Sunset Cove Case Study. The sales increase of this action is subject to monitoring and makes a cause-impact assessment. But frequently, after the first support to a client, for instance of type I sales-assistance, and after this first problem is solved, the client may face a second problem, which could be a shortage of raw materials and which demands type III assistance. Once this issue has been resolved, the client may face a third problem which is the quality and/or productivity of the plant, requiring type II consulting assistance. The order of this evolution of problem-solutions may vary from one client to another. If the Center and the client identify that overcoming next problems and solution will still generate additional sales, it should be implemented. This may go on as long as the solutions clearly generate more sales. But once this attribution is not clear anymore, it is time to terminate the agreement with the client.

The SDC's Scope of Work I

Identify the technical assistance required by local businesses and producers to increase their sales in accordance with the demands of national and international markets — that is, buyers. The technical assistance can take many forms, affecting sales, distribution, processing, production, etc., all oriented toward increasing clients' sales competitiveness.

Once identified and ascertained to be qualified, channel technical assistance to clients in the form of first-rate business advisers (BA). Ideally, the BAs are local, but they may also come from abroad. The SDC facilitates the delivery of technical assistance only if one can reasonably expect the increase in sales by clients to exceed the cost of the assistance by a factor or ratio of at least **3 to 1**. The increase in sales and the cost of the technical assistance must be quantifiable. By looking to third-party providers to provide the bulk of assistance, the SDC may contribute to the development of business development services markets in their regions.

Encourage possibilities for small and micro-producers to sell to regional and national businesses under contract, providing preferential treatment to clients open to such alliances.

Identify obstacles to private investment and, as appropriate, develop program and policy proposals to contribute to the promotion of private investment, the reduction of transaction costs, and regional competitiveness. When necessary, the SDC participate in appropriate institutional networks — with central, regional, and local government entities and chambers of commerce, for example — to put flesh on those proposals and to implement them.

2.3 The Supplier Development Centers

2.3.a The BPI Project is signing a contract with selected operators which will include a Scope of Work (SOW). The Management Unit for the SDC is training and coaching the SDC members in order to correctly develop the buyer-led approach. The Unit is coordinating the SDC on many technical issues, whereas in the administrative area it will be more independent.

2.3.b During startup, the client visits by the Business Advisor may include the director of the SDC and a staff of the Management Unit. After startup, the Advisors are running with more autonomy in the technical area. The Unit is coordinating the SDCs and will have periodic meetings between all the SDCs.

2.3.c Each Business Advisor is negotiating and setting up, together with the client, the following documents:

- A CONFIDENTIALITY STATEMENT which is incorporated in the AGREEMENT with the client, signed by the BPI COP, the Management Unit, the director of the SDC and the BA (see ANNEX C).
- THE SUPPLIER DEVELOPMENT PLAN, as prepared by the Advisor, together with the client who commits to it (see ANNEX D). After the client and the M&E Unit approves the Supplier plan, it will be signed by the manager firm most closely in top of the problem and solution and the Advisor in charge. It is the key commitment of the SDC.

2.3.d A program that makes itself accountable spells out beforehand the results it proposes. Therefore, the management of the SDC will set up an annual operating plan (see Exhibit 2.3.e). A buyer-led program spells out its proposed results in the form of sales and jobs targets. It sets annual and cumulative targets for the entire program and then sets them for the SDC in the economic corridors. A buyer-led program may also give SDCs and respective Advisors monetary incentives to meet and exceed those targets.

The SDC's Scope of Work I

Facilitate contacts and assist in negotiations between local, regional, national, and foreign buyers, on the one hand, and local businesses and producers, on the other. The SDCs' business promoters shall possess sufficient education and experience to identify promising business opportunities to dynamize the development of their regions, taking into account specific market demands. The technical advisors serve as facilitators in buyer-supplier relationships, following the principle of "producing what sells," instead of "selling what is produced," motivating local producers to respond to specific buyer requirements.

Promote sales. Facilitate one-on-one meetings, business-to-business forums, agricultural and trade fairs, etc., to create and nurture mutually beneficial buyer-supplier relationships.

Help clients diagnose the principal supply problems that stand in the way of their meeting the requirements of buyers, and come up with cost-effective solutions to address those constraints.

Facilitate the provision of technical assistance to address clients' binding problems.

Facilitate client access to sources of financing and marketing, legal, transport, insurance, etc., services.

Provide detailed information to clients on markets, products, and legal issues.

Generate and disseminate information of interest — for example, regarding markets and business opportunities in their regions.

For the most part, the SDC carry out the activities above client by client. The SDC select clients according to their economic promise, as well as their openness to working with BPI.

Exhibit 2.3.e The Operating Plan’s Core Information

Clients in order of priority	Problem(s)	Solution(s)	Expected new sales, life of program	Expected cost to program	Sales/ cost	Expected new jobs, life of program	Comments
1.							
2.							
...							
n.							

2.3.e Selecting targets is an art, not a science. Objectives that are easy to achieve are not really targets at all, but neither are pipedreams. Ideal targets are ones that are achievable, but that also challenge managers to push the envelope out farther than might otherwise seem possible. Total sales generated per total costs of the similar Supplier Development Program in Peru provide point of reference (see Exhibit 2.3.f). The ratios give the relationship between total incremental client sales and total program costs for each of the first five years of Poverty Reduction Alleviation (PRA) Program in Peru’s life and for the five years as a whole. As one would expect, the ratios rise over time.

2.3.f The setup of this particular operations plan called for the project to operate many years, with much of the first year dedicated to getting things up and running, and much of the last year dedicated to closing activities down. The team has to know the total budget anticipated for their plan and it has to anticipate the time distribution of expenditures. There is a slow build-up of spending at the beginning and the decline at the end. The total targets of the program are the starting point of setting up the operational plan.

Exhibit 2.3.f PRA Sales/Cost Ratios, Year1to 5

Year 1	Year 2	Year 3	Year 4	Year 5	Total
0.65	1.85	2.45	2.99	4.94	3.22

2.3.g Many buyer-led programs have primarily agricultural corridors which are subject to a cycle which imposes a slow start up. All other things equal, it is natural to expect that a program based on buyers of the mining and retail sector – like we have in Mongolia – will have a more rapid start. It appeared wise to project at least similar or higher sales/cost ratios than performance under PRA (see Exhibit 2.3.f). Given the preoccupation to close out all assistance at the last year of the program’s life, it appeared advisable to apply a lower sales/cost ratio in the fifth year. For an example of an annual operational plan see Exhibit 2.3.h. The final line of the mentioned Exhibit gives the final sales targets for the program as a whole and for each year. The targets come from multiplying the numbers in the first two lines of each column. These numbers are the basis for setting the targets of the SDC’s Operational Plan.

Exhibit 2.3.h Example from Mozambique's Sales Targets

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Projected Costs	1,000,000	4,000,000	6,000,000	6,000,000	5,000,000	22,000,000
Projected Sales/ Cost Ratios	0.7	2.0	2.6	3.2	4.5	3.0
Projected Sales	700,000	8,000,000	15,600,000	19,200,000	22,500,000	66,000,000

2.3.h The second example comes from the Azerbaijan Business Assistance and Development (ABAD) Program (see Exhibit 2.3.i). In contrast to the approach taken in the Mozambique case, the designers of ABAD assume lower ratios because geographically, they were going to set up operations outside the economic mainstream, with uneven if not poor infrastructure. Because their clientele grew up in a command, not a market economy, they concluded that it would be unrealistic to expect more than \$2.20 in client sales for every dollar of program expenditure.

Exhibit 2.3.i Example from Azerbaijan's Sales Targets

	Year 1	Year 2	Year 3	Year 4	Total
Projected Costs	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$7,000,000
Projected Sales/ Cost Ratios	0.88	1.76	2.64	3.52	2.20
Projected Sales	\$1,540,000	\$3,080,000	\$4,620,000	\$6,160,000	\$15,400,000

2.3.i In brief, in Mozambique the designers of the program first looked at what it would be reasonable to achieve year by year and then saw what those targets added up to for the program as a whole. In Azerbaijan, the designers started with a target for the entire program and then looked at the reasonableness of the year-by-year sales/costs ratios that overall target implied. The slight variation in the approach in the two examples points to, again, the art vs. science nature of target setting. There are empirical rules of thumb that a program designer can apply, but judgment is necessary, as is adaptation to the peculiarities of the program context at hand.

2.3.j The logic of the buyer-led approach is that sales drive jobs, so, operationally, most buyer-led programs attach highest priority to achieving sales targets. But most programs set employment targets as well. In program environments with ample scope for promoting and nurturing outsourcing arrangements between connector firms and suppliers, jobs typically bear a relationship to sales that, if not entirely stable, is not terribly volatile either. Under Paraguay Vende, for example, it took an estimated \$9.88 of client sales to generate a person-day of labor in Year 1, \$7.22 in Year 2, and \$8.92 in Year 3. The overall average was \$8.25. Under PRA, it took approximately \$10.50 of client sales to generate a person-day of labor up through 2003; through 2005, it took approximately \$12.20 — an increase, obviously, but not a dramatic one.

2.3.k Prior to commencing work, it is difficult to predict just how much advantage a program can take of supplier-market-chain possibilities. In setting employment targets, therefore, designers of new buyer-led programs generally err on the side of caution. In programs where supplier-market-chain appear to offer promise, they apply not the best-scenario ratios from Paraguay Vende, but the conservative estimates from PRA. Specifically, in both the Mozambique program and the Accelerated Sustainable Agriculture Program in Afghanistan, for example, designers divided agreed upon sales targets by 12 to derive employment targets.

2.3.l Some program environments like Mongolia offer relatively limited scope for outsourcing — for example, programs that focus on products with limited backward linkages or island economies accustomed to importing the bulk of their production inputs. In such cases, one has to lower one's employment expectations, applying divisors considerably higher than 12, at least in the programs' early years. Again, setting targets, whether for sales or for jobs, is not a mechanistic numbers exercise. It requires judgment. The same goes for the distribution of global targets among a program's economic corridors. Going in, program managers expect some corridors to perform better than others and therefore factor in those expectations.

2.3.m Exhibit 2.3.m gives a real-life example, the targets that the management of PRA set for its Centers in 2001. In setting them, PRA took into account differences among economic corridors in productive infrastructure, market access, entrepreneurship, and capacity to organize supply. The differences in targets reflect not only differences in those factors, but differences in when the Centers began operations. For instance, most people would expect Cusco to perform above average, but the office in Cusco was the last of the centers to come on line and had just commenced operations.

Supermarket needs to enhance fruit & vegetable's quality

The company is a national business group which has supermarkets and stakes in many other sectors. They are worrying about increasing prices and decreasing quality of vegetables and fruit sold in their stores.

Actually, most of the vegetables and fruits the company is importing from China and their quality is not traceable in terms of food safety. With the exception of meat products, the supermarket is importing most of its food products. Most of its wheat and flour comes from Russia.

Food prices have more than doubled in the last years, but still Mongolian consumers are willing to pay more if the quality can be assured, like organic food or traceability certified by recognizable labels. For this, the supermarket is now setting up their organic tomato and cucumber plantation.

Questions

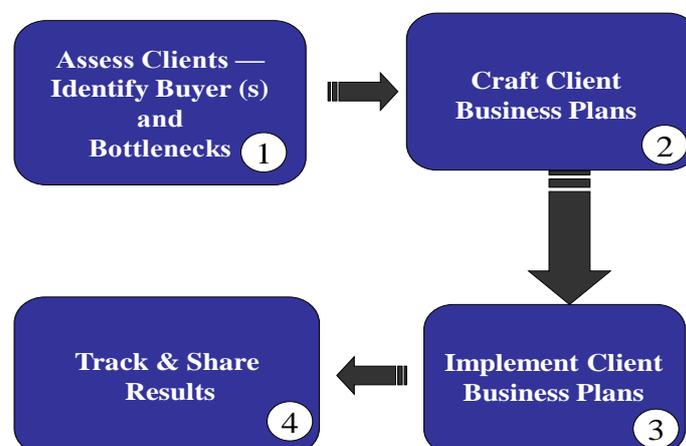
- What is their main problem?
- How could the buyer-led approach change the view of the entrepreneur?
- What would be the most cost-effective strategy to increase the Mongolian supplier's sales to this supermarket?

Exhibit 2.3.M PRA: Distributing Targets Among Economic Corridors

PROJECTED RESULTS NET SALES AND DAYS WORKED BY ECONOMIC CORRIDOR		
Economic Corridor	Net Sales US \$	Number of Days Worked
Huancayo	500,000	45,920
Cajamarca	600,000	55,084
Huánuco	750,000	68,850
Tarapoto	600,000	55,250
Cusco	150,000	14,130
Huaylas	450,000	41,000
Puno	350,000	31,866
Jaén	250,000	23,220
Pucallpa	400,000	37,000
Ayacucho	250,000	23,200
Total	4,300,000	395,520

2.3.n As the program continued, some Centers performed above expectations and some below. All in all, the factor that most distinguished the high performers from the rest of the pack was not the natural resources of the economic corridors (although they were not unimportant), but the caliber of center personnel. For those Centers that exceeded expectations, management generally increased targets in subsequent years, raising the bar to incentivize even higher performance. For those that fell short of expectations, management generally did one of two things. Either it (i) recognized it had set the bar too high and lowered targets accordingly or (ii) it took corrective action — changing personnel, if necessary — to bring the laggard offices up to par.

2.3.o Once PRA was up and running, management asked the Centers to propose their own sales and jobs targets each year. Interestingly, most Centers came in with ambitious numbers, and more often than not, management had to decrease recommended targets. Given performance incentives they could expect to receive (see the discussion below), one might have expected the centers to lowball their numbers, but that is not what happened: optimism — and pride vis-à-vis their peers — overrode narrow self-interest!

2.4 The Business Advisor**Exhibit 2.4.a What is a Business Adviser's Day to Day?**

2.4.a The key operational principles for Advisors are as follow:

- Build on market incentives; do not build production capacity for its own sake;
- Operationally, demand means “a buyer with a first name and a last name”;
- Large enterprises and suppliers are allies, not rivals;
- Build trust — it is the most important service;
- Your point of entry is individual connector firm transactions, not sectors or products;
- Tailor solutions to the ‘problema’; do not jump to the ‘problemática’;
- Pre-picking sectors can come at high cost;
- When possible, promote contracting to generate jobs;
- Focus on the sustainability of market chains, not yourself;
- Communicate success stories;
- Make your measure of success sales and jobs;
- Set targets;
- Build in incentives to meet them;
- Hold yourself accountable;
- Do continuous, serious monitoring and evaluation;
- Think of cost-effectiveness and return on investment;
- Manage with discipline, applying the 5 to 1 rule.

Mine in Seeks Uniform Supplier of Highly Resistant Material

The company is having a huge procurement section which trying to manage local supply of volumes and quality the mine works need. One product which the UB based managers of the mine are trying to find are uniforms with highly resistant fabrics (fire-cold-extreme stressed outfits). They have not found a local supplier and are now trying to develop any supplier management team, but they have not found the required candidate which shows willingness and proactive behavior.

Uniform Producer wants to Increase Production and Supply to Mines but needs more Suppliers of Fabrics

The mid-sized firm has 48 employees; exists now for 10 years, producing uniforms (70%) and other garments (30%); supply to many mines (GOK, MAC, Gold mine). 50 sawing machines (10 are specialized). They sell to one mine 600 uniforms monthly. Are growing strongly and for this they will get new sawing machines from China. They will not sub contract to smaller garment shops at homes because of quality requirements (could change if they get some assistance). They are planning to produce uniforms for offices, restaurants and schools. Have a big problem for getting the fabric because they need more supply of quality garments.

Questions

- What is their main problem?
- How could the buyer-led approach change the view of the buyer and seller?
- What would be the most cost-effective strategy to increase the supply of Mongolian produced uniforms?

2.4.b The assistance provided by the Advisors include building trust, and honest coaching while upholding high standards of confidentiality. Each Advisor is a coach and listens to clients. It is not the specialization, but the general business talents which makes an Advisor a successful change agent. If an Advisor has gained the confidence and trust of a client, it is important not to allocate his/her client to another Advisor’s portfolio unless there are good reasons.

2.4.c The first visit to the client is important for finding the problem, the solution, the results and effort-sharing. If an Advisor is not aware that only by stimulating a firm to-do-what-they-have-to-do he/she will get not the expected real sales increases. In many cases, firms are simply not managing their business because they do not have the expectation that it will generate better results. But the Advisor cannot do miracles. An Advisor has to find a way of real cost sharing and leveraging investments specified in

the agreed document: “You can lead a horse to water, but you can't make it drink”. For an example of conducting the first interview see ANNEX 3.

2.4.d A Business Advisor would assist appropriately a portfolio of no more than 3 to 4 clients at a given time; if the center is staffed with 3 business advisors and 1 director, the Center should have a portfolio of 12 to 15 clients. In a buyer-led approach, the clients are selected according to the potential demand and not according to sectors, industries or regions of the Corridor. In other terms, the Center has to select its personnel without having a clear knowledge of what type of specialization they should have. Therefore, it would be wise to have as many as possible sales-oriented generalists in the team, and to have a demand driven allocation of types of assistances (buyer assistance; consulting assistance; raw material assistance).

2.4.e The Advisor sets up a daily and weekly activity plan of client visits. The Advisor is sharing the plan with his colleagues and the SDC director at the weekly staff meeting. Results from previous weeks should also be shared at weekly meetings.

2.4.f The director decides – in coordination with the BPI project leader – which clients are to be visited alone by the Advisor and at which visits the director will participate. The Management Unit of the SDC may participate as well in some visits. The activity plan is forecasting already the expected problem and solution of the client candidate (see as well the Operational Plan in 2.3.e).

2.4.g In order to get agreements / supplier development plans signed, the Advisor is visiting many firms. It is recommended to focus on many prospects initially, so as to gain clientele and commitments with the SDC. The SDC's Operational Plan is targeting both a number of signed agreements – especially at the initial stage – and a number of sales per month. But, the Advisor should not just search quickly client firms and propose to sign as much as possible agreements. The commitment of the client and the SDC on a supplier plan is much more important. The Advisor should take into account that the sales targets are

A Turn-Key Wheat Processing Facility

A large company, involved in everything from construction to consumer products to consumables, has invested in a wheat processing facility. The plant began operations in July/August 2012 with primarily Turkish equipment.

Higher level management is expecting to have all events well planned. The turnkey operation is dominated by Turkish technology and representatives who train Mongolian personnel. The Turkish professional continues to service the plant with troubleshooting and maintenance operations. The lower level management claims there are often considerable delays, which hinders efficiency in production. The plant is still focused on the plant and not on the business.

The plant still does not sell to local bread manufacturers, which buy from other suppliers, many of which are Russian imported flour. Meanwhile, the plant is shipping all its products by train to the main center of consumption of Mongolia.

The firm does not expect to have problems with wheat supply, although the volume and quality of Mongolian wheat has been decreasing during the last years (if necessary, they import it from Russia). Due to high rainfall, this year the quality of wheat was a problem for it humidity.

Questions

- What is their main problem?
- Is it necessary, from the buyer-led approach, to change the view of these high level managers?
- Is it advisable to assure supply of local wheat (instead of planning to buy Russian wheat, if necessary)?
- Should they sell flour to local SME?
- What would be the most cost-effective strategy to increase sales and generate local employment?

having a bonus for achievement. Simply put, the competition is not on how much clients/ agreements a SDC has, but on how much sales it is generating.

2.4.h The director is also an Advisor and fully participates at the bonus achievement. The director and the Advisors are one unique team. Their key success factor for achieving the largest sales of the year is their most valuable asset. At the end-year party, the SDC with the largest sales get the largest bonus and is part of an important ceremony. The second largest and third largest achievers as well get a small bonus.

2.4.i Buyer-led assistance means first of all, bringing the seller (the SDC client) and buyer together. All other problem solving approaches are ruled out. The three types of buyer-led assistance are finding a buyer; improving the processes and product of the seller; finding more suppliers for the seller (see more specifically 2.2). When the Advisor is visiting the client, one of these three areas of assistance should be the right answer for the problem of the client sales restriction. I first business plan, which demands all three types of assistances, would be wrong for the SDP (would be more suitable for an incubator focused project).

2.4.j The business advisers have to achieve targets of sales generation. Their sales generation is measured by the Monitoring & Evaluation Unit (M&E Unit). Depending on their achievement, the Advisor will receive a year end bonus on the sales generated by his/her clients. The three types of assistance generate different amounts of sales attributed to the technical assistance:

- The buyer type of assistance is the one which the clients most like; but the M&E only counts that amount of sales which really has allocated to a new buyer, and does not account for the increased sales capacity of the client firm as a result of the assistance.
- The consulting type of assistance (always buyer-led) may have wider impact on sales attributed to the Center; M&E will analyze the cause-effect of the consulting type of assistance, and probably it has not only a business-wide, but as well a company-wide impact.
- The raw material/input type of assistance is having a business-wide impact because all the products

Steel Balls Manufacturer Needs Quality

The firms has 95 workers and produces steel balls as to be used in the milling process by mining companies in Mongolia. Products as manufactured are mostly sold to GOK, Boroo Gold and Hotol Cement factory. There appears to be considerable demand for this product in multiple regions around Mongolia.

Steel grinding balls are made primarily from recycled metals, as purchased across the region. The balls serve to crush mineral ore are of various forms, such as a ball, cylinder, cylindrical pebbles and etc. The production process includes several methodologies, from casting, rolling, pressing and forging. The most widespread of technologies within the company are for rolling and casting.

There are two competing companies in the aimag in which this company is based, and in the whole of Mongolia there exist five manufacturers/competitors. The company has strong and growing competition for similar products from China; there are complaints that imports are of inferior quality.

Key suppliers to the company include three local used steel suppliers and two suppliers from other locations in the country.

Installed production capacity is 8,000 tons per annum but the production line is operating only at a realized capacity of 50%. (4,000 tons per annum). If they had enough buyers and raw materials, they could expand production and obviously deliver more to existing and new clients. **Questions**

- What is their main problem?
- How could the buyer-led approach change the view of the entrepreneur in?
- What would be the most cost-effective strategy to generate more sales and suppliers?

which use that input may increase their sales.

2.4.k Most buyer-led programs have instituted some kind of a performance incentive system to align the interests of the Advisors with program objectives and boost the likelihood of achieving high results. PRA adopted a relatively straightforward approach, tying performance bonuses to increases in client sales. Other programs added different, sometimes complicated methods. The bottom line of that experimentation suggests once more the wisdom of the KISS principle, Keep It Sweet and Simple. The discussion that follows describes how PRA's system worked. In brief, the key characteristics of the system were:

- If a Center met its client sales target for the year, each of its business advisors received \$1,000. To put that number in context, a typical Advisor earned between \$1,500 and \$3,000 a month. As a result, even the floor bonus of \$1,000 was "real money."
- If the center exceeded its target by a predetermined percentage, each business advisor received more than \$1,000. PRA management budgeted \$3,000 per center per year for performance bonuses. Some centers met their targets; others did not. When most centers exceeded their targets, management shifted funds from other uses to cover the shortfall — a nice problem to have.

ANNEX A: SUPPLIER BUSINESS STRATEGIES AND CASE STUDIES

ANNEX A: SUPPLIER BUSINESS STRATEGIES AND CASE STUDIES

CASE STUDY 1- Spare Parts and Equipment Producer

The company is a metal fabrication company located in the city of Darkhan in northern Mongolia and produces and maintains equipment focusing on provision of metalworking and ferrous metal parts for industrial operations. It produces industrial, construction, agricultural, and geological-mining equipment and spare parts. It also provides maintenance services for equipment and operations. The firm commenced operations in 1994. Its plant has workshops for metal-working, non-ferrous metal casting, maintenance, and welding. It has more than 50 different kinds of machines, allowing it to produce a wide variety of equipment and parts.

The company employs 50 people. Thirty are skilled engineers, and 20 are support and administrative personnel. Annually, the company operates at 40 percent capacity. The company operates only 6 months a year, and maintains and repairs equipment the remaining 6 months per annum (September thru February). A commercial loan taken out from a Mongolian bank bridges capital needs to pay workers year round. During the summer months, the plant operates at close to full capacity. During the winter months, it operates at only ten percent capacity. It keeps its personnel on board year round. The firm repays the loan when orders start picking up in the spring. The company is relatively well capitalized.

Most of its machinery comes from the former Soviet Union, much of it is now outdated. It recently ordered a €55,000 spectrometer from Germany, but its engineers are not versed in its operation. Capability and skills of workforce could be improved. For instance, a brand new spectrometer machine purchased by the company (55K euro) will need staff who are versed or trained in its operations. Another example includes a recent acquisition of a Taiwan manufactured machine producing essential product for mining sector – training is required.

Primary clientele include Boroo Gold, Oyu Tolgoi (since 2011) and several Darkhan based industrial and mining operations in/around the city. Products are namely spare parts for existing equipment, and are order-based. The company is able to manufacture machinery as utilized in geological and agricultural industries

Questions

What is the main problem of the company?

Is there a potential buyer for increasing capacity utilization?

What type of assistance the SDC should discuss with this client?

Set up a statement of level of effort (days), generalist vs. specialist, cost

Propose a cost sharing solution

Forecast sales increases to the proposed buyer(s)

What is the ratio sales/SDC investment?

CASE STUDY 2- Copper Wires and Cables Company

The company employs 110 workers and is extracting copper from waste and low-grade ore piles by using weakened solutions of sulfur acid. The ore piles are supplied by another copper mine, belonging to another company. The plant has an installed production capacity of 2,750 tons of A-grade copper cathodes per annum, with a purity of 99,999%. The cathodes are sheets of 1 cm thick, and approximately 1 meter square weighing approximately 200 pounds. It is a true commodity, deliverable to and tradeable at the London Metals Exchange. The company has ISO 9001 certification and has been awarded as the best taxpaying company of Mongolia.

The cathodes which are not exported are transformed into rolled copper, used then by a separate factory of the company producing copper wires and cables. The wire and cable factory has a capacity of 3,800 km/year, has competitive costing of products according to international standards, and is only working at 10% of capacity. Primary clients are retail operations via company distribution networks in Mongolia.

In fact, the company is exporting most of its production as cathodes and rolls, instead of the more value added wires and cables. Its wire and cable facility is not operating at full capacity, as mentioned. For some reason it is not selling to the wholesale and construction market of Mongolia, which is supplied by imports from the neighboring countries. Furthermore, imported wires and cables are not paying tariffs when they enter Mongolia. Exports are taxed at high rates. The factory is now searching for export markets in the former Soviet countries and elsewhere in Asia. They are as well looking at public tenders as issued by the Government of Mongolia.

Questions

- What is the main problem of the company?
- Is there a potential buyer for increasing capacity utilization?
- What type of assistance the SDC should discuss with this client?
- Set up a statement of level of effort (days), generalist vs. specialist, cost
- Propose a cost sharing solution.
- Forecast sales increase to the proposed buyer(s)
- What is the ratio sales/SDC investment?

CASE STUDY 3-Bakery and Dairy Company

A medium sized bakery and dairy firm from Darkhan started in 1971, was privatized in 1993 and now has 5 major shareholders. The firm is selling to 240 stores in Darkhan. In Erdenet there are 360 stores but they only sell to 100. In total, they are selling to 700 stores but they have a capacity to sell to 1,000. They have 2 strong competitors from UB. The company possesses good technology of French and Italian origin. Traditional baking styles have been preserved. Products are of high quality, and few chemicals are used in production. The firm has received international technical assistance from the Dutch organization 'PUM' in past years.

The firm would like to increase sales in other cities of the Northern Corridor, as well as to the mining companies in the South. But there are logistical difficulties and they are afraid that quality will not be maintained.

Darkhan is the transport center of northern Mongolia. Trains stop daily while in transit from Russia to China. These trains stop in Darkhan and change logistics there before continue to Erdenet. Railways are well developed, but road transport is not taking off, which imposes a certain logistical restraints to the business distribution centers between Erdenet and Darkhan, as well as with UB and further north, the Gobi region. In more clear terms, if a perishable consumer good producer from here wants to penetrate the remainder of the national market, road transport logistics may be needed. Most business are now relying on train transport, which suits perfect for the intermediate and industrial goods market, but not for the products like bakery and dairy.

Questions

- What is the main problem of the company?
- Is there a potential buyer for increasing capacity utilization?
- What type of assistance the SDC should discuss with this client?
- Set up a statement of level of effort (days), generalist vs. specialist, cost
- Propose a cost sharing solution.
- Forecast sales increase to the proposed buyer(s)
- What is the ratio sales/SDC investment?

Template for Answering the Inserted Cases in The Manual

Question 1

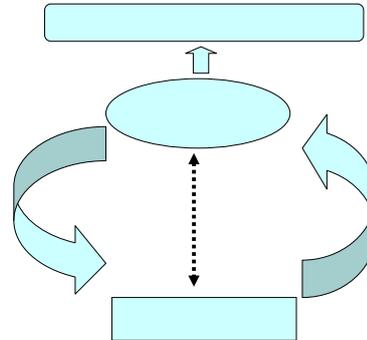
**WHO IS THE CLIENT?
WHAT DOES THE MARKET CHAIN LOOK LIKE?
WHAT IS THE TRANSACTION?**

1. Where does the client fit in the market chain?

.....
.....
.....
.....

2. What is the transaction the program might support?

.....
.....
.....
.....



Solution 1

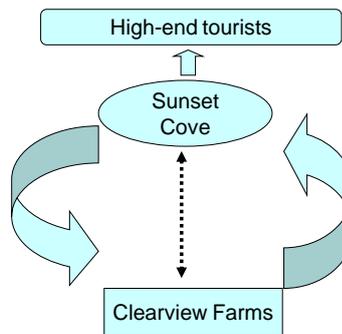
**WHO IS THE CLIENT?
WHAT DOES THE MARKET CHAIN LOOK LIKE?
WHAT IS THE TRANSACTION?**

1. Where does the client fit in the market chain?

The client, Sunset Cove, is the connector firm, the potential glue between high-end tourists and Clearview Farms.

2. What is the transaction the program might support?

Sales of high-quality orchids to Sunset Cove by Clearview Farms.



Question 2

PROBLEM-SOLVING STRATEGY

Problems

A
B
C

Solutions

A
B
C

Expected Results

Increase in sales
Increase in employment

Cost to Program of Solution

Ratio of Increase in Sales to Program Cost

Solution 2

PROBLEM-SOLVING STRATEGY

Problems

A Clearview Farms cannot produce orchids to Sunset Cove's standards

Solutions

A Agronomic assistance to Clearview Farms in high-quality orchid production

Expected Results

Increase in sales: \$30,000, \$60,000, & \$75,000 in Years 1, 2, & 3
Increase in employment: 1 full-time job in Year 1; 2 in Years 2 & 3

Cost to Program of Solution: 1/3 of total cost (shared with Sunset Cove & Clearview Farms) = \$10,000 in Year 1 & \$5,000 in Years 2 & 3

Ratio of Increase in Sales to Program Cost: 8.25:1 (\$165,000/\$20,000)

ANNEX B: THE FIRST INTERVIEW WITH THE CLIENT

ANNEX B: THE FIRST INTERVIEW WITH THE CLIENT

Contact information for the company

Name of the Company: _____

Address: _____

Website: _____

Name of interviewee: _____

Interviewee's position: _____

Phone: _____

Fax: _____

Email: _____

General information on the company

In what year did the company begin operations? _____

What is the company's legal status? _____

Is the company engaged in . . .

Primary production? _____

Processing? _____

Trading (reselling)? _____

Tourism? _____

ICT? _____

Other services? _____

What do you sell?

The company's market

Roughly, what percentage of your customers are

Local? _____

Regional? _____

International? _____

If you have customers locally, who are your top buyers?

If you have customers regionally, who are your top buyers?

If you have customers internationally, who are your top buyers?

Does your company sell . . .

Directly? _____

Through agents(s)? _____

Why do buyers purchase what you offer?

What distinguishes what you offer from what your competitors offer?

Are you interested in expanding your sales? _____

If yes, whom would you sell to?

How would you go about reaching these customers?

Have you taken any steps already? _____

If yes, what?

Do you join forces with other companies? _____

If yes, with whom and how?

Information on production and backward linkages

In non-dollar terms, how much did you sell the last 12 months?

How much of that did the company produce itself?

If not everything, where did you get the rest?

From whom did you buy your primary inputs?

Does your business vary seasonally? _____

If yes, what are your best month(s)? _____

Please describe the company's infrastructure, machinery, equipment, and land.

At approximately what percentage of capacity do you use these fixed assets? _____

Are grades, standards, or certifications important in your business? _____

If yes, which ones apply, and what have you done?

If you had more buyers, could you deliver? _____

If not, why not? _____

Baseline data

What were your sales the last 12 months? \$ _____

During the last 12 months, how many people did you employ on average . . .

Full-time? _____ How many were family? _____

Part-time? _____ How many were family? _____

Top problems

If the government could change one thing, what change would most help you increase sales?

What are the top three business problems that prevent you from growing, or business opportunities that will allow you to grow?

A. _____

B. _____

C. _____

Potential solutions to top business problems

What actions are the most cost-effective solutions to those problems, or responses to those opportunities?

A. _____

B. _____

C. _____

If these actions were successful, by how much would sales grow . . .

This year? \$ _____

Next year? \$ _____

The year after that? \$ _____

**ANNEX C: THE AGREEMENT WITH THE CLIENT & CONFIDENTIALITY
STATEMENT**

ANNEX C: THE AGREEMENT WITH THE CLIENT AND THE CONFIDENTIALITY STATEMENT

1. Template to Share with a Client When Developing a Scope of Work

[INSERT NATURE OF WORK]

[INSERT NAME OF CLIENT]

1. EXPERT: [INSERT NAME OF EXPERT IF APPROPRIATE]
2. POSITION: [INSERT POSITION NAME]
3. PERIOD OF PERFORMANCE: [INSERT TIME FRAME OF ASSIGNMENT]
4. LEVEL OF EFFORT: [INSERT LEVEL OF EFFORT]
5. CLIENT GROWTH PLAN REFERENCE: [INSERT CLIENT GROWTH PLAN REFERENCE]
6. BUSINESS ADVISOR: [INSERT NAME OF BUSINESS ADVISOR]
7. BACKGROUND:
(INSERT A BRIEF BACKGROUND OF THE CLIENT AND A DESCRIPTION OF PROPOSED SUPPORT – SHOULD BE BETWEEN 2-3 PARAGRAPHS)
8. OBJECTIVES:
(DESCRIBE THE OBJECTIVE OF THE ASSIGNMENT – SHOULD BE BETWEEN 2-3 PARAGRAPHS)
9. TASKS
 - [INSERT AS MANY BULLETS AS NEEDED TO DESCRIBE NECESSARY TASKS OF THE ASSIGNMENT]
10. DELIVERABLES:
 - [INSERT AS MANY NUMBERS AS NEEDED TO DESCRIBE DELIVERABLES OF THE ASSIGNMENT]
11. REPORTING
 - The Consultant will report to [NAME OF CLIENT] and [NAME OF BUSINESS ADVISOR], or their designee(s).
12. NATURE OF CONTRACT
[INSERT ANY OTHER DETAILS RELEVANT TO SOW]

2. Example of Agreement & Confidentiality Statement

AGREEMENT FOR TECHNICAL ASSISTANCE

1. **BUSINESS PLUS INITIATIVE (The Program)** is a Project of the United States Agency for International Development (USAID), which is working for achieving a target of US\$ 2,000,000 of additional sales of supplier firms to large enterprises. The Supplier Development Center (SDC) of provides technical assistance to firms of the Corridor and this agreements' objective is to contribute on the fulfillment of the mentioned target.

2. (The Supplier) represented by its Board Members, Directors and general Managers (see disclosure below), is requesting technical assistance and is accepting the Program as the provider of it. The specific assistances the Supplier is requesting and receiving are defined in the SUPPLIER DEVELOPMENT PLAN; they are one or many of the following types: A. Getting more buying orders; B. Improving productivity and quality; and C. Receiving more and better raw materials. The Supplier is accepting that the Program starts performing a SOCIAL AND ENVIRONMENTAL CHECKLIST, a STATEMENT OF WORK.

POSITION	NAME	Nº I.D.	DATE OF BIRTH	PLACE OF BIRTH

3. The Chief of Party of the Program (see disclosed below) take notes of the request of the Supplier and hereby accepts to perform a SOCIAL AND ENVIRONMENTAL CHECKLIST, a STATEMENT OF WORK and a SUPPLIER DEVELOPMENT PLAN. The results of these studies are evaluated by the Program and pursuant to the approval by the Chief of Party, the Program starts with its implementation.

CARGO	NOMBRE	Nº CEDULA	FECHA NACIMIENTO	LUGAR NACIMIENTO
Director	Reinaldo Penner	525 198	02-06-56	Col. Neuland

4. The **SUPPLIER DEVELOPMENT PLAN (The plan)** includes the establishment of a base line for the products and services of the Supplier to be assisted. For performing the assistance specified in the Plan, the Program works with its staff of business advisors and as well with short term contracted specialists. The costs of these specialists are shared by the Program and the Supplier as specified in the Plan. The Supplier is putting its staff of managers and employees for implementing the Plan, which all are informed of its content and expected results.

5. By signing this agreement, the Supplier gives the Program the right to make use of the achievements of the assistances for communication purposes. The success story of the Supplier may be published in whatever platform the Program considers

6. By signing this agreement, the Program commits not to use the business data, the accounting information and whatever information the Supplier considers subject to reserve treatment, in its relation with other clients, in its internal meetings and in whatever public or collective activity of the team, the Program or the communication outreach.

7. The Program and the Supplier agrees to put any dispute of this agreement, or which arises under this agreement, like its interpretation, its validity or invalidity, under the procedures of the Arbitration Law of Mongolia, signing an Arbitrial Agreement and acting in accordance to the resolution of an Arbitral Tribunal taking place at the Chamber of Commerce & Industry of Mongolia, MNCCI Building, Mahatma Gandhi Street, 1st khoroo, Khan-Uul district, Ulaanbaatar 17011, UB Post – 101011001, Tel 976-11-327176, Fax 976-11-324620, Email chamber@mongolchamber.mn, website www.mongolchamber.mn. The Program and the Supplier accepts hereby the Regulations of the Arbitration Law of Mongolia and other dispositions which establishes the procedures of an arbitral process, and declares that they are in knowledge and accepts the regulations regarding the assignation of the costs of the arbitral process, considering that they are part of this Agreement. For establishing the Arbitrial Award, the Program and the Supplier are appointing the Courts of Ulan Bator, capital of the Republic of Mongolia .

8. The present agreement has duration according to the time necessary for of the implementation of the assistances established in the Plan and will be in force when the Program or the Supplier notifies in writing to the other part of termination of this agreement.

.....
Name of the Supplier

.....
Business Plus Initiative

Date of signing __/__/__

ANNEX D: THE SUPPLIER DEVELOPMENT PLAN

ANNEX D: SUPPLIER DEVELOPMENT PLAN

1. Supplier Development Plan Review Checklist

These are some questions to keep in mind when reviewing Client Growth Plans:

1. Who is the client?
2. Who is (are) the client's buyers?
3. Is the bottleneck clearly defined?
4. How real is the bottleneck? Is that what is really preventing sales?
5. Why can't the client remove the bottleneck itself? Why does it need our support? Is it already planning / doing something to remove the bottleneck?
6. What support is proposed?
7. What is the expected increase in sales?
8. What are the sales increases based on (details!)?
9. How much employment is expected to result from the increased sales (details!)?
10. Is there a clear link among the bottleneck, our support, and expected sales increases?
11. How long will it be until sales are expected to increase?
12. Over what period are sales expected to increase?
13. What other business improvements is the client undertaking?
14. Does the client have the ability to break out the sales from the specific product lines that we propose to support?
15. Does the client have the means / resources to report sales results accurately every month? Does it need assistance in designing and implementing a simple system to ensure data accuracy and adhere to reporting expectations (quality and frequency)?
16. Is cost-share clearly indicated? Quantified?
17. What is the cost to the buyer-led program?
18. Are there any negative environmental consequences foreseen?

2. Supplier Development Plan

SUPPLIER DEVELOPMENT PLAN (BUSINESS PLAN)							
STRATEGY OF THE BUSINESS, PRODUCTS AND MARKETS						Prepared by of the BPI SUPPLIER DEVELOPMENT CENTER OF	
CLIENTE.....							
PRODUCTS & SERVICES MARKETS							
DIAGNOSTIC OF THE OPORTUNITIES AND BOTTLENECS						ACTIONS	
BUYERS						ACTION 1	
THE PLANT						ACTION 2	
SUPPLIERS						ACTION 3	
PLAN OF ACTIVITIES							
ACTION 1						BY THE CLIENT FIRM	
ACTION 2						BY THE SDC	
ACTION 3						BY THE CLIENT FIRM	
RESULTADOS							
RESULTS TO BE MONITORING							
SALES PROJECTED							
PRODUCTS & SERVICES ASSISTED	Sales 12 Month Base Line		In US\$ per Year				Total
	Dec-11	Nov-12	2013		2014		
Product 1	January	December	January	June
Product 2	May-08	Set-08	January	December	January	June
Client firm							
Business Advisor.....			SDC Unit Manager.....				
			Date of Signing.....				

BASE LINE PRODUCT 1		BASE LINE PRODUCT 2	
Month	Sales	Month	Sales
Jan-12	0	Jan-12	0
Feb-12	0	Feb-12	0
Mar-12	0	Mar-12	0
Apr-12	0	Apr-12	0
May-12	0	May-12	0
Jun-12	0	Jun-12	0
Jul-12	0	Jul-12	0
Aug-12	0	Aug-12	0
Sep-12	0	Sep-12	0
Oct-12	0	Oct-12	0
Nov-12	0	Nov-12	0
Dec-12	0	Dec-12	0